

**CITY OF ROCKVILLE**  
**Retirement Board**

DATE: September 27, 2013

*Black Eyed Susan*

TIME: 10:00AM

**Board Meeting**  
**MINUTES**

PRESENT: Jack Rodgers, Chairperson; Cpl Chris peck, FOP Representative; Derrick Pierson, Union Representative; Anita McCombs, AAME Representative. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Daisy Harley, Human Resources; Ryen Sherman, Segal Rogerscasey Inc; Clark Kendall, Financial Advisory Board; Susan Strauss, employee.

ABSENT: Barb Matthews, City Manager;

Tim Peifer, Finance Department joined the meeting at 10:35am.

Councilmember Tom Moore joined the meeting at 11:35am.

Councilmember Mark Pierzchala joined the meeting at 2:24pm.

Susan Strauss left the meeting at 11:35am.

Clark Kendall left the meeting at 11:40am.

Derrick Pierson left the meeting at 1:52pm.

The Board adjourned at 1:52pm when Mr. Pierson left due to lack of a quorum, and reconvened as a Board when Councilmember Pierzchala arrived at 2:24pm.

The meeting commenced at 10:05am with introductions.

I. Approval of Minutes, May 17, 2013

A motion to accept the minutes as presented was made by Corporal Peck. The motion was seconded by Mr. Pierson. All voted in favor. The motion passed 4-0.

II. Investment Performance Review Quarter end June 30, 2013

Mr. Sherman provided an overview to the Board of the overall financial market conditions as summarized in the Board packet. Mr. Sherman answered questions from the Board Members and discussion ensued amongst the Board and Mr. Sherman.

Mr. Sherman provided the latest financial information to the Board in a flash report dated August 31, 2103.

Mr. Sherman also discussed a due diligence report that Segal had performed that was included in the Board packet dated September 2013. The due diligence was performed on the Principal Global Fixed Income product that the Board has an approximate \$15mill allocation to as part of its Bond portfolio.

Mr. Sherman explained the risks for the Board in continuing with this product. Due to the restrictions of the Benefit Index, Segal recommended that any search for a new product should be on the Principal platform. The Board gave direction to Segal to conduct a search of Fixed Income products on the Principal platform to see whether the Board was interested in replacing the Principal Bond and Mortgage Fund.

Mr. Sherman moved on to a summary of the thrift plan performance. The Board reiterated the need for more choices for Thrift participants and increased diversification within the lineup. The Board members had several questions for Mr. Sherman on funds within the Thrift lineup.

Mr. Sherman moved on to a summary of the performance of the Retiree Benefit Trust. This was the Segal first inclusion of the Retiree Benefit Trust in the Segal contract. Segal recommended to the Board that it's a good time to look at the investments of the Trust to ensure that the fund has the appropriate risk profile. The Board directed that Segal prepare for a discussion at the next Board meeting on the asset allocation or fund allocation of the Trust.

Mr. Sherman moved the conversation to the new fund searches that Segal performed. Mr. Sherman presented the results of the competitive search for a global fixed income fund that would be added to both the Thrift lineup as well as the Goalmaker lineup. Mr. Sherman presented three prospects for the Board as outlined in the search packet. The three candidates are Legg Mason –BW Global Opportunities Bond Instl (GOBIX), LOOMIS Sayles- Loomis Sayles Global Bond Fund (LSGBX), and Pacific Investment management Company – PIMCO Global Bond Unhedged (PIGLX). After Board discussion and questions and answers about strategies, fees, advantages and disadvantages of each of the candidates, two motions were made by the Board.

A motion was made by Mr. Pierson to add an international bond fund to the Thrift plan lineup. The motion was seconded by Corporal Peck. The Board voted 4-0 for the motion.

A motion was made by Mr. Pierson to add the Legg Mason –BW Global Opportunities Bond Instl (GOBIX) to the thrift and Goalmaker lineups. The motion was seconded by Corporal Peck. The Board voted 4-0 in favor of the motion.

Mr. Sherman presented the results of the Segal competitive search for a Diversified Real Asset fund for the Thrift Plan. Mr. Sherman explained that this is a relatively new class of assets without a long track record. He explained what type of assets are include within the fund and presented two candidates for the Board to consider. The first candidate was Pacific Investment Management Company – Inflation response Multi-Asset Fund and the Principal Management Corporation – Diversified Real Asset Fund. After Board discussion and questions and answers about strategies, fees, advantages and disadvantages of each of the candidates, two motions were made by the Board.

A motion was made by Mr. Pierson to add a Diversified Real Asset fund to the Thrift plan lineup. The motion was seconded by Corporal Peck. The Board voted 4-0 for the motion.

A motion was made by Corporal Peck to add the Principal Management Corporation – Diversified Real Asset Fund to the thrift and Goalmaker lineups. The motion was seconded by Mr. Pierson. The Board voted 4-0 in favor of the motion.

The Board also agreed to close the Seligman Communications and Info fund due to lack of participation and map over the participants to the Jennison large cap growth fund.

A motion was made by Corporal Peck and seconded by Mr. Pierson to close the Seligman Communications and Info fund and map over participants to the Jennison large cap growth fund. The Board voted 4-0 in favor of the motion.

Mr. Cohen requested that the Board consider adding more index type funds to the Thrift lineup to provide low cost choices for participants as the lineup has many active funds with high fees. The Board directed Segal to provide additional information on index funds at the next Board meeting.

LUNCH 12:20-12:40

### III. Investment Policy –Asset Allocation Discussion

Mr. Sherman presented the Board with two educational topics i.e. hedge funds and commodities. The hedge funds was done in a form of an informational fund manager search and the commodities in an educational brief book. Mr. Sherman presented the advantages and disadvantages of including a Global Tactical Asset Allocation fund by reviewing three funds namely Invesco Ltd. Balanced-Risk Allocation Strategy, Newton Capital Management Ltd. EB NCML Global Real Return USD Strategy and Pacific Investment Management Company, LLC (PIMCO) All Asset Strategy.

Mr. Sherman followed on with the presentation on how an investment in commodities would fit into the portfolio. Following the presentation materials, Mr. Sherman discussed the issues and risks of commodities as an investment. The Board discussed both the Hedge Funds and Commodities as to whether they should be in the portfolio. Mr. Sherman discussed three approaches to implementing a commodities strategy namely, a passive index, an actively managed fund or an enhanced index.

Mr. Cohen reminded the Board that the discussion needed to happen in the context of an overall asset allocation discussion and that the Board first would have to change its asset allocation policy prior to moving any money to different asset classes. The Boarded agreed to have an overall asset allocation discussion at the next meeting.

The Board thanked Mr. Sherman for all of his presentations and reports.

### IV. Fiduciary Training

Due to time constraints, The Board tabled the Fiduciary training until the next meeting.

### V. Chapter 15 Code Changes

The Board reviewed the changes to Chapter 15 that they directed the City Attorney to make from the previous meeting. Mr. Rodgers mentioned that all of the Board's requested changes had been incorporated and that the only change he requested is for the grammar to be made consistent within section 15-87. The City Attorney agreed to revise the grammar within that section. Councilmember Pierzchala made a motion to send the Chapter 15 code changes to the Mayor and Council for adoption. The motion was seconded by Corporal Peck, and the motion passed 4-0.

VI. Future Agendas

The Board requested the following items for the November meeting:

Discussion on the asset allocation of the Retiree Benefit Trust

Discussion on the asset allocation of the pension plan

Board Insurance Coverage

Fiduciary education

Bond Fund Search

Goal Maker Drawing

Actuarial Valuation Report and Funding Policy

The Board requested that the next meeting be held from 9:00am-1:pm.

The meeting was adjourned at 2:40 p.m.